

## Rethinking the Origins of American Hegemony

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# Rethinking the Origins of American Hegemony

G. JOHN IKENBERRY

In recent years no topic has occupied the attention of scholars of international relations more than that of American hegemonic decline. The erosion of American economic, political, and military power is unmistakable. The historically unprecedented resources and capabilities that stood behind United States early postwar diplomacy, and that led Henry Luce in the 1940s to herald an "American century," have given way to an equally remarkable and rapid redistribution of international power and wealth. In the guise of theories of "hegemonic stability," scholars have been debating the extent of hegemonic decline and its consequences.<sup>1</sup>

Although scholars of international political economy have analyzed the consequences of American hegemonic decline, less effort has been directed at examining the earlier period of hegemonic ascendancy. Theorists of hegemonic power and decline pass rather quickly over the early postwar period. In rather superficial fashion, it is assumed that the United States used its power to organize the operation of the non-Communist international system — to "make and enforce the rules for the world political economy" as one scholar put it.<sup>2</sup> While the rest of the in-

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<sup>1</sup> Recent discussions of the implications of American decline include Robert Gilpin, "American Policy in the Post-Reagan Era," *Daedalus* 116 (Summer 1987): 33–67; and Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1988); David P. Calleo, *Beyond American Hegemony: The Future of the Western Alliance* (New York: Basic Books, 1987).

<sup>2</sup> Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, N.J.: Princeton University Press, 1984), 37.

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dustrialized world lay in economic and political ruin, American resources and capabilities were at their peak. Out of these historical circumstances, the conventional view suggests, the United States got its way and created a postwar order of its choosing.

This conventional view, wielded by those scholars more interested in hegemonic decline, requires closer attention; and so it is useful to reexamine the origins and character of American power in the early postwar era. The questions are several: How was U.S. hegemonic power used after World War II in constructing the postwar world order? How successful was the United States in creating a postwar order of its choosing? What did the United States want and what did it get in the early postwar years? Most importantly, what does a hegemonic state, such as the United States, do when it is being hegemonic?

The answers to these questions require us to rethink the nature of American hegemonic power. I argue that the United States got both less than it wanted and more than it bargained for in the early postwar period. In terms of the ideals and plans it originally articulated, the United States got much less than it wanted; in terms of direct involvement in leading the postwar western system, it got much more involved than it wanted. The United States was clearly hegemonic and used its economic and military position to construct a postwar order. But that order was not really of its own making. There was less exercise of coercion than is commonly assumed in the literature on hegemonic power, and where it was used, it was less successful than often thought.

I want to make three general points. First, the early efforts by the United States to build a postwar liberal multilateral system largely failed. Those efforts, in part attractive to the United States because they did not require a direct political or military presence in Europe, failed because of the rise of the East-West struggle and the underestimated problems of postwar economic and political reconstruction in Europe. Second, at each step along the way, the United States sought to minimize its direct (that is, formal, hierarchical) role in Europe. It was the European governments that sought to elicit and influence the projection of U.S. power into Europe—and they did so primarily for security and resource reasons. In short, U.S. hegemony in Europe was largely an empire by invitation. Third, while European nations sought to promote U.S. involvement in Europe, they also acted to rework the liberal, multilateral ideas that initially propelled the United States during and after World War II. In effect, the European nations successfully modified liberal multilateralism into a welfare state liberalism (or embedded liberalism). The United States tried to use its power to create a system that would allow it to stay out of Europe—a sort of self-regulating and automatic international political economy. This failed, and the United States was drawn into a more direct role in Europe, defending a system that the Europeans themselves effectively redefined.

This article traces the evolution of U.S. policy as it reveals the mechanisms and limits of hegemonic power. U.S. policy traveled through different phases: the one world ideals of liberal multilateralism (1941–1947); the shift to a two worlds concept and the attempt to build a United Europe (1947–1950); and the subsequent

emergence of an ongoing and direct American political and security presence in Europe — an empire by invitation. A close historical reading of policy change suggests the need to rethink the nature and limits of U.S. hegemonic power.

### THEORIES OF HEGEMONIC POWER

The central claim of hegemonic stability theory is that a single Great Power is necessary to create and sustain order and openness in the international political economy. Accordingly, *Pax Britannica* and *Pax Americana* both represent historical eras when a hegemonic power held sway and used its dominant position to ensure an orderly and peaceful international system. Reflecting this position, Robert Gilpin argues that “Great Britain and the United States created and enforced the rules of a liberal international economic order.”<sup>3</sup> Likewise, as the power of these hegemonic nations declines, so also does the openness and stability of the international economic system. The decline of Britain’s nineteenth-century order foreshadowed the decline of America’s postwar system. In each era it was the dominant role of the hegemonic nation that ensured order and liberal relations among nations.

This thesis draws powerful conceptual links between the rise and decline of nations and the structure of international relations. Scholarly interest in this type of argument was stimulated by the writings of Charles Kindleberger and Robert Gilpin. In a study of the sources of the Great Depression, Kindleberger argued that the stability of the pre-World War I international political economy rested on the leadership of Britain.<sup>4</sup> This leadership role involved the provision of a variety of collective goods, in particular the willingness of Britain to extend credit abroad and to maintain open markets at home. In the midst of falling commodity prices beginning in 1927 and the emerging shortage of international credit, the United States failed to act in a counter-cyclical manner to reverse the flow of funds and raised protectionist barriers. The collapse of the system in the interwar period was due to the absence of a hegemonic leader able and willing to maintain open markets for surplus goods and capable of maintaining the flow of capital. Kindleberger argues that the return to mercantilist relations in the interwar period was largely due to the inability of a weakened Britain to continue to play this leadership role and the unwillingness of the United States to take up these international responsibilities.

Similarly, Robert Gilpin developed a theory of global leadership emphasizing the active role of the hegemonic nation in creating and sustaining international economic and political order.<sup>5</sup> The rise of a hegemonic nation, Gilpin argues,

<sup>3</sup> Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), 145.

<sup>4</sup> Charles P. Kindleberger, *The World in Depression, 1929–39* (Berkeley: University of California Press, 1973).

<sup>5</sup> Gilpin, *War and Change*. An earlier formulation of hegemonic power emphasizing similarities

“resolves the question of which state will govern the system, as well as what ideas and values will predominate, thereby determining the ethos of succeeding ages.”<sup>6</sup> In this formulation, the hegemonic nation dominates the creation of the rules and institutions that govern international relations in a particular age. Gilpin’s argument was that Britain undermined its own economic base of hegemonic power by investing heavily in overseas production at the expense of its own economy.<sup>7</sup> In the twentieth century, moreover, the United States was in danger of repeating the cycle of hegemonic decline and instability.<sup>8</sup>

In these studies and in the literature on hegemonic stability that they continue to inspire, attempts are made to find systematic links between the prevailing distribution of power (that is, military capabilities, control over trade, capital, and raw materials) and the organization of international political and economic processes. In doing so, these theories share several assumptions. First, they tend to conceive of power in traditional resource terms. Reflecting this position, Robert Keohane defines hegemony as “preponderance of material resources.”<sup>9</sup> Thus, the constitutive elements of hegemonic power, as it relates to the world political economy, include control over raw materials, markets, and capital as well as competitive advantages in highly valued goods. Second, according to this perspective, these material resources provide the means for the hegemon to “make and enforce the rules for the world political economy.”<sup>10</sup> Power is exercised by the hegemon primarily through the use of coercion, inducements, or sanctions. In effect, power is manifest as arm twisting.

While sharing these basic assumptions, scholars working in this tradition disagree over the manner in which hegemonic power is exercised.<sup>11</sup> Some writers, such

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in the rise and decline of *Pax Britannica* and *Pax Americana* is in Gilpin, *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975).

<sup>6</sup> Gilpin, *War and Change*, 203.

<sup>7</sup> Gilpin, *U.S. Power and the Multinational Corporation*.

<sup>8</sup> Gilpin notes: “Much as it happened in the latter part of the nineteenth century and the interwar period, the relative decline of the dominant economy and the emergence of new centers of economic power have led to increasing economic conflicts. During such periods of weak international leadership, international economic relations tend to be characterized by a reversion to mercantilism (economic nationalism), intense competition and bargaining among economic powers, and the fragmentation of the liberal interdependent world economy into exclusive blocs, rival nationalisms, and economic alliances.” “Economic Interdependence and National Security in Historical Perspective” in Klaus Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence: Regents Press of Kansas, 1977), 61.

<sup>9</sup> Keohane, *After Hegemony*, 32.

<sup>10</sup> *Ibid.*, 37.

<sup>11</sup> Duncan Snidal makes a distinction between hegemony that is benign and exercised by persuasion, hegemony that is benign but exercised by coercion, and hegemony that is coercive and exploitive. Snidal, “Hegemonic Stability Theory Revisited,” *International Organization* 39 (Autumn 1985). In another effort to distinguish between types of hegemonic power, Hirsch and Doyle note those of cooperative leadership, hegemonic regime, and imperialism. See Fred Hirsch and Michael Doyle, *Alternatives to Monetary Disorder* (New York: McGraw Hill, 1977), 27.

as Kindleberger, see that power as basically benign, centering around the provision of public goods and leadership.<sup>12</sup> The image of the hegemon in this formulation is that of an enlightened leader, submerging narrow and short-term national interests to the preservation of a well-ordered and mutually beneficial international system. Others stress the importance of self-regarding actions by the hegemon directed at the creation and enforcement of the essential rules of the system.<sup>13</sup> Here the image is of a much more coercive hegemon, structuring the system to strengthen its own international economic position.

The debate within this literature tends to focus on the implications of the loss of American hegemonic power. The questions at this level are two-fold. One concerns the manner and extent to which the loss of hegemonic power has impacts on international regimes. The debate here is about how autonomous and powerful regimes may be as an independent force for order and openness, even with the declining hegemon playing a less constructive role.<sup>14</sup> A second debate asks the prior question of the extent to which the United States has in fact lost its hegemonic capabilities.<sup>15</sup>

This literature provides fertile ground for research on American power in the postwar period by drawing bold lines between the rise and decline of nations and the international political economy. Its power is in its simplicity, and the images it presents are evocative. Nonetheless, it suffers from at least two problems—one theoretical and the other historical. Theoretically, the literature suffers from the absence of a clear theoretical understanding of the manner in which hegemonic power is manifest as it promotes international order and openness. The mechanisms and the texture of hegemonic power has not been captured in the literature. Susan Strange notes that “we have not clearly understood the alternative ways hegemons exercise power and the alternative uses to which their power may be put.”<sup>16</sup> What factors determine when and how the rich and militarily strong nations are able to convert their power into hegemonic domination? Through what mechanisms and processes does power manifest itself? Why do some states come to accept, even invite, the rule of the hegemon, while others resist? And how do

<sup>12</sup> Kindleberger, *World in Depression*; see also Kindleberger, “Dominance and Leadership in the International Economy,” *International Studies Quarterly* 25 (June 1981): 242–54.

<sup>13</sup> Gilpin, *War and Change*; Stephen Krasner, “State Power and the Structure of International Trade,” *World Politics* 28 (April 1976): 317–43.

<sup>14</sup> For an overview of this literature see Stephan Haggard and Beth Simmons, “International Regimes,” *International Organization* 41 (Summer 1987). Some scholars, employing a sociological perspective, focus on the role of regimes as institutions that inform the process by which nations define and pursue their interests. See Stephen Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983). Others have developed microeconomic models that relate the maintenance of regimes to strategic interactions of states. See Keohane, *After Hegemony*.

<sup>15</sup> Bruce Russett, “The Mysterious Case of Vanishing Hegemony; or Is Mark Twain Really Dead?” *International Organization* 39 (Spring 1985); Susan Strange, “The Persistent Myth of Lost Hegemony,” *International Organization* 41 (Autumn 1987).

<sup>16</sup> Strange, “The Persistent Myth of Lost Hegemony,” 555.

the goals of the hegemon change in the process of building international order? These questions remain unanswered because the focus of hegemonic stability theory remains fixed on the material resources of power and fails to explore the larger dimensions of power.

The second problem is historical. As noted above, the literature on hegemonic stability passes very briefly over the early phases of the cycle of rise and decline. In particular, it is assumed that the rules and institutions that emerged in the early postwar period are essentially the creations of the United States. The unprecedented position of the United States gave it a unique historical license to create international order on its own terms, or so it is thought. We are left only to trace the course of that power and analyze the fate of the rules and institutions it fathered. This image is a distortion: it is, to borrow Dean Acheson's memorable phrase, a view that is "clearer than the truth." And it serves to mislead the subsequent inquiry into the processes of hegemonic decline. If the capabilities of the United States in the early postwar period were less overpowering than commonly assumed, and if that power was exercised in less direct ways, this is important for the way we are to judge the current period of decline.

### *The Limits of American Postwar Power*

Viewed in terms of material capabilities, the United States did occupy an overwhelmingly powerful position at the close of the war. The disparity in resources and capabilities was huge, not only in general aggregate economic and military terms, but also in the wide assortment of resources the United States had at its disposal. As early as 1900 the United States was already the world's largest industrial producer; on the eve of World War I the United States had twice the share of world industrial production as Britain and Germany, its nearest industrial rivals. This trend toward economic dominance was rendered more pronounced by the war itself, which destroyed the industrial base of the European economies and further expanded the American counterpart.<sup>17</sup>

The unprecedented nature of the American position is reflected in comparisons with British economic strength in the nineteenth century. While the British in 1870, at the zenith of their power, possessed 32 percent of the global distribution of industrial production, the United States held 48 percent of the global share in 1948. The scope of British and American power, in their respective eras, is often found to be similar; yet in terms of the preponderance of material resources, American power was much greater.

As the hegemonic account of the early postwar period suggests, the United States did employ its resources to help shape the global political and economic order. American oil reserves were used in the 1950s and 1960s to make up for global short-

<sup>17</sup> U.S. national output more than doubled in real terms during the war: American GNP rose from \$91 billion in 1939 to \$210 billion in 1945.

falls triggered by a series of crises and embargoes in the Middle East. Lend-lease arrangements and loans were used to influence British commercial policy immediately after the war. Foreign aid was used to influence European monetary policy in the 1950s.<sup>18</sup> An entire range of postwar rulemaking and institution-building exercises were influenced and supported by the American resort to inducements and coercion, all backed by U.S. resource capabilities.

Closer historical scrutiny of the period suggests that the absence of success by the United States in implementing its liberal designs for order was more pervasive than the hegemonic account allows. American officials consistently were forced to modify their plans for a liberal, multilateral order; and they often found themselves at a loss in attempting to draw others into such a system.

In the various commercial negotiations after the war, the United States was unable or unwilling to pursue consistent liberal policies. The most ambitious efforts at trade liberalization, embodied in the International Trade Organization proposal, were blocked by the United States Congress.<sup>19</sup> The General Agreement on Tariffs and Trade (GATT) that did survive was less extensive, contained escape clauses and exemptions, and left agriculture trade outside the multilateral framework. In areas such as maritime rights and shipping, as Susan Strange notes, the United States also pursued less than liberal policies.<sup>20</sup> Moreover, despite the unprecedented power position of the United States, holding the dollars and relief funds desperately needed in Britain and on the continent, American officials were less than successful in persuading Europe to embrace U.S. policies. In a recent study, Michael Mastanduno finds that the United States was surprisingly ineffective in convincing Europe to adopt its hardline East-West trade strategies.<sup>21</sup> Moreover, the U.S. was unable to push the European governments toward full-scale economic integration, despite its continued efforts and the massive aid of the Marshall Plan.

#### FROM LIBERAL MULTILATERALISM TO A UNITED EUROPE

The unprecedented opportunity for the United States to construct a postwar international order congenial with its interests and ideals was not wasted. The order that took shape in the late 1940s, however, was not what wartime planners had envisaged or sought to implement during and immediately after the war. The one world of American wartime planning gave way to efforts to build Europe into an independent center of global power; these revised plans, signaled by the Marshall Plan, in turn gave way to a bipolar system and the active courtship by Europe of American hegemonic leadership.

<sup>18</sup> Krasner, "American Policy and Global Economic Stability" in William P. Avery and David P. Rapkin, eds., *America in a Changing World Political Economy* (New York: Longman, 1982), 32.

<sup>19</sup> This does not in itself argue against the presence of hegemonic power, but it does suggest the importance of congenial domestic coalitions to support its exercise.

<sup>20</sup> Strange, "The Persistent Myth of Lost Hegemony," 560–61.

<sup>21</sup> Michael Mastanduno, "Postwar East-West Trade Strategy," *International Organization* 42 (Winter 1987/88).



The chief focus of wartime planners was the construction of a postwar economy based on liberal, multilateral designs. The primacy of economic planning reflected both principle and prudence. It was part of the liberal faith that if the economic foundation were properly laid, the politics would follow. "If goods can't cross borders, soldiers will" was the slogan of the time, capturing the liberal faith.

The absence of postwar political and military planning also followed from more explicit wartime constraints. Franklin D. Roosevelt's vision of Great Power postwar cooperation held sway, an approach difficult to break with as long as the war persisted. Well into 1947 the idea that postwar order would be one world, with collective security and a liberal international economy, continued to drive policy in the Roosevelt and Truman administrations.

Domestic considerations, moreover, made a large-scale peacetime military commitment to Europe and a spheres-of-influence policy difficult to sustain.<sup>22</sup> A liberal, multilateral system would allow the United States to project its own ideals onto a world where depression and war had clearly demonstrated the bankruptcy of European ideas of spheres of influence and economic nationalism. If the United States could no longer isolate itself from the affairs of Europe, it would need to alter the terms of international politics. Only on this basis would congressional and public opinion allow the United States to play an internationalist role. A liberal, multilateral system, once established, would be self-regulating and would not require direct American involvement in Europe. For an American public eager to see its troops return home, ideals and prudence reinforced the initial American designs for postwar order.

### *The Failure of Liberal Multilateralism*

The tenets of liberal multilateralism were several: trade and financial relations are best built around multilateral rather than bilateral or other partial arrangements; commercial relations are to be conducted primarily by private actors in markets; and states are to become involved in setting the domestic and international institutional framework for trade and financial relations, both participating in liberalizing international negotiations and facilitating domestic adjustment to international economic change.<sup>23</sup>

<sup>22</sup> Franz Schurmann argues that the isolationist heritage made a postwar internationalist strategy difficult to sustain unless it was clothed in liberal ideals. The reluctance of portions of American public opinion to get involved in the atavistic power politics of Europe weighed heavily on foreign policy officials. Such involvement, it was argued, had a corrupting influence on the exceptionalism of American politics. Internationalism, consequently, would need to involve reforming and remaking European power politics in an American image—to export American exceptionalism. Schurmann, *The Logic of World Power* (New York: Pantheon, 1974).

<sup>23</sup> American liberal multilateral ideas have long historical roots. They can be traced to John Hay's "Open Door" and to the third of Woodrow Wilson's Fourteen Points: "the removal, so far as possible, of all economic barriers." Richard N. Gardner's study remains the most comprehensive account of

American officials involved in economic planning in the Departments of State and Treasury were strikingly in accord on the need for the creation of international institutions to support liberal, multilateral economic relations. All were influenced by the failures after World War I: the lack of preparation, the failure of American participation in the League of Nations, the inadequacy of attention to economic problems.<sup>24</sup> "The postwar planners were united in their determination to break with the legacy of economic nationalism. . . . They recognized that the United States, despite its comparative self-sufficiency, had a very great stake in the economic well-being of the rest of the world, not only because it needed foreign markets for the produce of its factories and farms, but because it needed a healthy environment on which to base its efforts at world peace."<sup>25</sup>

Most of the American wartime efforts to insure a liberal, multilateral system were directed at Britain. British economic planners were generally sympathetic to American liberal, multilateral ideas; but outside of the government, political groups and individuals were profoundly divided. On the Left, free markets were associated with unemployment and social injustice. Segments of British industry feared competition with American industry. On the Right, liberal multilateralism was a threat to the Imperial Preference system (providing privileged trade relations among commonwealth nations) and the remains of the British Empire.<sup>26</sup> In various ways these groups favored national, bilateral, or regional economic relations.

Directed primarily at dismantling British Imperial Preferences, American officials resorted to several bargaining tools and advantages. In 1941 Lend-Lease negotiations, the United States sought to tie aid to the removal of discriminatory British trade practices.<sup>27</sup> Compromises were achieved, and the British were able to resist a firm commitment to multilateral principles.<sup>28</sup>

The most far-reaching discussions between the United States and Britain over the principles and mechanisms of postwar economic order were agreed upon at the 1944 Bretton Woods conference in New Hampshire.<sup>29</sup> In these monetary negotiations, the British-American differences were considerable in regard to the provision for liquidity and the allocation of responsibility for adjustment between creditor and debtor countries. The British emphasized the primacy of national control over fiscal and monetary policy, the importance of biasing the arrangements to-

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these ideas and their fate in postwar economic diplomacy. Gardner, *Sterling-Dollar Diplomacy: The Origins and the Prospects of Our International Economic Order* (New York: McGraw Hill, 1969).

<sup>24</sup> *Ibid.*, 4.

<sup>25</sup> *Ibid.*, 12.

<sup>26</sup> *Ibid.*, 31–35.

<sup>27</sup> Article Seven to the Mutual Aid Agreement was the object of these negotiations.

<sup>28</sup> Gardner, *Sterling-Dollar Diplomacy*, 68. On American wartime efforts to extract British concessions on the postwar trading system, see Lloyd C. Gardner, "Will Clayton, the British Loan, and the Political Economy of the Cold War" in Gardner, *Architects of Illusion: Men and Ideas in American Foreign Policy, 1941–1949* (Chicago: Quadrangle Books, 1970), 113–38.

<sup>29</sup> For systematic accounts of these monetary agreements, see Gardner, *Sterling-Dollar Diplomacy*; and Armand Van Dormael, *Bretton Woods: Birth of a Monetary System* (London: Macmillan, 1978).

ward economic expansion, and the need for a large international reserve and relatively easy terms of access to adjustment funds.

In the compromise agreement that created the charters of the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank), major differences of perception remained between the British and Americans. In the American Senate debate, administration officials gave the impression that the institutional foundations had been laid for a liberal, multilateral system. Further funds would not be necessary for British economic reconstruction, and a British commitment to nondiscrimination had been achieved. The British, for their part, understood that the United States had committed itself to helping Britain in what would be a lengthy economic transition period, and that the American government would make the sacrifices necessary to insure postwar economic expansion.<sup>30</sup>

At the same time that British-American negotiations dealt with monetary arrangements, the framework for international trade was also debated. In 1945 a set of proposals were worked out between the two countries on commercial policy. British reluctance to endorse the full array of American proposals for non-discriminatory trade and multilateral tariff reductions were similar to those in the monetary area. The British were not prepared to eliminate the Imperial Preference arrangements. Concerns about employment and economic stability made the British cautious of a full-blown, liberal trading system.<sup>31</sup>

Further efforts by the United States to use its economic preeminence to alter British commercial and monetary practices came during consideration of the British loan in 1945–1946. The core of this effort was to gain a British pledge to lift discriminatory controls earlier than mandated by the Bretton Woods agreement. Negotiations over the British loan provided the most coercive use of American power for liberal, multilateral purposes during this period. Reflecting the attitude of Congress on this issue, a congressional report argued that “the advantages afforded by the United States loans and other settlements are our best bargaining asset in securing political and economic concessions in the interest of world stability.”<sup>32</sup> The British found little room to reject the conditions of the loan.<sup>33</sup>

Under the terms of the Anglo-American Financial Agreement, the British were obliged to make sterling externally convertible. Yet this action led in only six weeks to a massive drain on British reserves, forcing the suspension of convertibility. Despite its commanding bargaining position, the United States was unable to bring Britain into a multilateral order. Moreover, the chief political strength of the British

<sup>30</sup> For a summary of differences in American and British understandings of Bretton Woods, see Gardner, *Sterling-Dollar Diplomacy*, 143–44. See also Alfred E. Eckes, Jr., *A Search for Solvency: Bretton Woods and the International Monetary System, 1941–1971* (Austin: University of Texas Press, 1975); and Van Dormael, *Bretton Woods*.

<sup>31</sup> Gardner, *Sterling-Dollar Diplomacy*, 158.

<sup>32</sup> Quoted in *ibid.*, 198.

<sup>33</sup> See Robin Edmonds, *Setting the Mould: The United States and Britain 1945–1950* (New York: Norton, 1986), chap. 8.

(and the Europeans generally) in resisting American designs was their economic weakness. The early move toward multilateralism would not be possible.

Throughout the 1944–1947 period, the United States attempted to build a framework for international economic relations with the reconstruction of multilateral trade as its centerpiece. This objective largely failed. The most basic obstacle in the way of American policy was the economic and political dislocation of the war itself. The American proposals required, as Richard Gardner maintains, a reasonable state of economic and political equilibrium. “The multilateral system could not be achieved unless individual nations were in approximate balance with the world as a whole. Unfortunately the post-war planners did not foresee the full extent of the measures necessary to achieve such balances after the destruction and dislocation of the Second World War. . . . The institutions they built for the achievement of multilateralism were not designed to withstand the unfavorable pressures of the post-war transition period.”<sup>34</sup> The objectives of the hegemonic power were not in balance with the power and influence at its disposal.

Moreover, in the rush to international economic rulemaking, important differences were masked concerning the proper role of governments in promoting full employment, price stability, and social welfare. These differences would reappear as the transition period of reconstruction and alliance building ended in the late 1940s.

Finally, there was the problem of the emergence of U.S.–Soviet hostilities. Ernst H. Van Der Beugel notes: “The political hopes of the United States were shattered by the nature of Soviet policy. The total ruin of Europe destroyed the hope of economic stability.”<sup>35</sup> Taken together, the early efforts to usher in a period of liberal multilateralism were thwarted by the same forces that destroyed the wartime vision of one world. American officials were determined not to repeat the errors of World War I, but the plans themselves would need revision. In the end, as Richard Gardner notes, the assumptions of an early return to political and economic equilibrium were unfounded.<sup>36</sup> In political terms, the postwar world was moving toward two worlds, not one. In economic terms, the Europeans suffered from a severe dollar shortage, importing as much as seven times the value of goods they were exporting to the United States.

### *The Marshall Plan and a European Third Force*

As the difficulties of implementing the liberal, multilateral proposals became evident, American policy began to involve efforts to bolster the political and economic foundations of Europe—to create in effect a third force. Burton Berry, a

<sup>34</sup> Gardner, *Sterling-Dollar Diplomacy*, 382.

<sup>35</sup> Ernst H. Van Der Beugel, *From Marshall Aid to Atlantic Partnership: European Integration as a Concern of American Foreign Policy* (Amsterdam: Elsevier Publishing Co., 1966), 19.

<sup>36</sup> Gardner, *Sterling-Dollar Diplomacy*, 294.

career Foreign Service officer, noted in July 1947 that it was time to “drop the pretense of one world.”<sup>37</sup> The need to search for a new approach to Europe was underscored by State Department official Charles Bohlen:

The United States is confronted with a condition in the world which is at direct variance with the assumptions upon which, during and directly after the war, major United States policies were predicated. Instead of unity among the great powers—both political and economic—after the war, there is complete disunity between the Soviet Union and the satellites on one side and the rest of the world on the other. There are, in short, two worlds instead of one. Faced with this disagreeable fact, however much we may deplore it, the United States in the interest of its own well-being and security and those of the free non-Soviet world must reexamine its major policy objectives.<sup>38</sup>

American officials were forced to attend to the balance of power in Europe. Accordingly, the new policy emphasis—embodied in the proposals for a European Recovery Program (what became known as the Marshall Plan)—was to establish a strong and economically integrated Europe.<sup>39</sup> Importantly, the policy shift was not to a sphere-of-influence approach with a direct and ongoing American military and political presence in Europe. Rather, the aim was to build Europe into an *independent* center of military and economic power, a third force.

This new policy was advanced by several groups within the State Department.<sup>40</sup> The new emphasis on building centers of power in Europe was a view George Kennan had already held, and it was articulated with some vigor by Kennan’s Policy Planning staff, newly organized in May 1947. “It should be a cardinal point of our policy,” Kennan argued in October 1947, “to see to it that other elements of independent power are developed on the Eurasian land mass as rapidly as possible in order to take off our shoulders some of the burden of ‘bi-polarity.’”<sup>41</sup>

Kennan’s Policy Planning staff presented its first recommendations to Secretary of State George Marshall on 23 May 1947. Their emphasis was not on the direct threat of Soviet activities in Western Europe, but on the war-ravaged economic, political, and social institutions of Europe that made communist inroads possible. An American effort to aid Europe “should be directed not to combatting communism as such, but to the restoration of the economic health and vigor of

<sup>37</sup> Quoted in John Gaddis, “Spheres of Influence: The United States and Europe, 1945–1949” in Gaddis, *The Long Peace* (New York: Oxford University Press, 1987), 57.

<sup>38</sup> Bohlen memorandum, 30 August 1947, *Foreign Relations of the United States* [henceforth FRUS] 1947 (Washington, D.C.: U.S. Government Printing Office, 1973), vol. 1, 763–64.

<sup>39</sup> On the role of Europe in American wartime planning and the “relative indifference of the administration to regionalist ideas,” see Max Beloff, *The United States and the Unity of Europe* (Washington, D.C.: Brookings Institution, 1963), chap. 1.

<sup>40</sup> See Beugel, *From Marshall Plan to Atlantic Partnership*, 41–45. For a fascinating account of the emerging policy views of State Department and other top government officials concerning the rebuilding of Europe, see Walter Isaacson and Evan Thomas, *The Wise Men: Six Friends and the World They Made* (New York: Simon and Schuster, 1987), 402–418.

<sup>41</sup> Kennan to Cecil B. Lyon, 13 October 1947, Policy Planning Staff Records. Quoted in Gaddis, “Spheres of Influence,” 58.

European society.”<sup>42</sup> In a later memorandum the Policy Planning staff argued that the program should take the form of a multilateral clearing system to lead to the reduction of tariffs and trade barriers and eventually to take the form of a European Customs Union.<sup>43</sup> Moreover, the Policy Planning staff argued that the initiative and responsibility for the program should come from the Europeans themselves. This group clearly envisaged a united and economically integrated Europe standing on its own apart from both the Soviet sphere and the United States.<sup>44</sup> “By insisting on a joint approach,” Kennan later wrote, “we hoped to force the Europeans to think like Europeans, and not like nationalists, in this approach to the economic problems of the continent.”<sup>45</sup>

Another group of State Department officials working on European recovery prepared a memorandum of major importance in May 1947 that outlined objectives of American foreign aid.<sup>46</sup> The chief objective of U.S. policy, they argued, should be to strengthen the political and economic countries of Europe and by so doing create the conditions in Europe to induce the Soviets to negotiate with the West rather than continue a policy of unilateral expansion. The objective was to foster a strong and economically integrated Europe. Moreover, the memorandum argued that U.S. policy should be directed at increasing the western orientation of European leaders. In France, Italy, and Germany, in particular, policy should be directed at preventing leaders from drifting to the extreme Left or Right. A European recovery program, these officials argued, would need to stress political and ideological as well as economic objectives. In summarizing the document, Beugel notes that in meeting these objectives a “purely economic program would be insufficient. Non-communist Europe should also be provided with possible goals to help fill the present ideological and moral vacuum. The only possible ideological content of such a program was European unity.”<sup>47</sup> The idea of a united Europe was to provide the ideological bulwark for European political and economic reconstruction.

Other State Department voices echoed the call for a shift in policy. Under Secretary of State William Clayton returned from Europe on 19 May alarmed by the economic distress of Europe. In a memorandum to Acheson and Marshall, Clayton

<sup>42</sup> Kennan quotes the memorandum in his memoirs. George Kennan, *Memoirs: 1925–1950* (Boston: Little, Brown, 1967), 336.

<sup>43</sup> Beugel, *From Marshall Plan to Atlantic Partnership*, 43.

<sup>44</sup> Kennan, *Memoirs: 1925–1950*, 325–353; *FRUS*, 1947, III: 223–230.

<sup>45</sup> Kennan, *Memoirs: 1925–1950*, 337.

<sup>46</sup> The document was dated 12 June 1947, a week after Marshall’s Harvard speech; but the main ideas were circulated earlier. This group, composed of H. van D. Cleveland, Ben T. Moore, and Charles Kindleberger, prepared the memorandum for a major State-War-Navy Coordinating Committee report. Parts of the document are reprinted in Charles P. Kindleberger, *Marshall Plan Days* (Boston: Allen & Unwin, 1987), 4–24. See also Michael Hogan, “European Integration and the Marshall Plan” in Stanley Hoffman and Charles Maier, eds., *The Marshall Plan: A Retrospective* (Boulder, Colo.: Westview Press, 1984), 4–5.

<sup>47</sup> Beugel, *From Marshall Plan to Atlantic Partnership*, 45.

argued that the United States had underestimated the destruction of Europe's economy and stressed the need for immediate and large-scale action.<sup>48</sup> On 8 May Under Secretary Acheson took the occasion of a public speech to outline the imperatives of European recovery and foreshadowed the Marshall Plan.<sup>49</sup>

The public turning point in U.S. policy came on 5 June 1947 with Marshall's speech at Harvard University. The American government was now ready to play a much more direct and systematic role in European reconstruction. Yet State Department officials, in a theme echoed throughout this period, were insistent that European leaders themselves take responsibility for organizing the program. At a State Department meeting on 29 May 1947, for example, Kennan "pointed out the necessity of European acknowledgement of responsibility and parentage in the plan to prevent the certain attempts of powerful elements to place the entire burden on the United States and to discredit it and us by blaming the United States for all failures." Similarly, Bohlen noted that the United States had to balance the "danger of appearing to force 'the American way' on Europe and the danger of failure if the major responsibility is left to Europe." The United States would need to make it clear to the Europeans, Bohlen argued, that "the only politically feasible basis on which the United States would be willing to make the aid available is substantial evidence of a developing overall plan for economic cooperation by the Europeans themselves, perhaps an economic federation to be worked out over 3 or 4 years."<sup>50</sup>

A policy of fostering European independence rather than a spheres-of-influence policy had both practical and ideological considerations. Within the Truman administration some officials stressed the policy's importance in strengthening European democracies against communist subversion. Others focused on its usefulness in rebuilding Franco-German relations. Still others found the policy important in promoting expanded production and stability of the European economy.

There were also domestic political reasons for administration support for a united Europe. Congress and American public opinion were in 1947 still wary of permanent political and military commitments to Europe. Such domestic considerations are evident in discussions by Truman administration officials as they prepared to sell the Marshall Plan aid program to Congress. In the foreign assistance legisla-

<sup>48</sup> "The European Situation," Memorandum by the Under Secretary of State for Economic Affairs, *FRUS, 1947*, III: 230–232. Joseph Jones argues that this report had a decisive influence on Marshall's speech and may have prompted the speech itself. *The Fifteen Weeks* (New York: Viking Press, 1955), 203. Clayton's memo reportedly moved Marshall to confirm his tentatively scheduled appointment to speak at Harvard's commencement exercises. The next day Marshall gave a copy of Clayton's memorandum and Kennan's Policy Planning paper to Bohlen and instructed him to write a speech that would invite Europe to request American aid.

<sup>49</sup> Summarized by Beugel, *From Marshall Plan to Atlantic Partnership*, 47–49; also see Dean Acheson, *Present at the Creation* (New York: New American Library, 1966), 227–230.

<sup>50</sup> "Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe," 29 May 1947, *FRUS, 1947*, III: 235.

tion that funded the European Recovery Program, Congress made greater European unification a condition for aid.<sup>51</sup>

The idea of a united Europe also fit well with American ideals. "The vague uneasiness and even irritation about the fragmentation of the old world and the genuine desire to transplant the American image to the shattered European countries were translated into a plan and subsequent action." Moreover, State Department officials felt that by encouraging independence and self-determination in Europe, the emergence of democratic institutions would be more likely to succeed. John Gaddis summarizes this notion: "the view in Washington persisted throughout the late 1940s that the viability of political systems depended in large part upon their autonomy, even spontaneity. For this reason, Americans were willing to tolerate a surprising amount of diversity within the anti-Soviet coalition."<sup>52</sup>

The European Recovery Program put the economic and political reconstruction of Europe into a security framework. It was at this juncture that Kennan's ideas most resonated with official U.S. policy. The crisis of Europe, according to these officials, was not due to the pressure of communist activities. Policy Planning and the others believed that "the present crisis resulted in large part from the disruptive effects of the war on the economic, political and social structure of Europe."<sup>53</sup>

European responses to American efforts to assist in economic and political reconstruction were initially quite enthusiastic. British Foreign Minister Ernest Bevin, listening to Marshall's speech on the BBC, accepted the offer of assistance immediately; and he quickly traveled to Paris to begin consultations with the French. The new attitude toward European unity was later reaffirmed by Bevin on 22 January 1948. Announcing that the time had arrived for a new consolidation of Western Europe, Bevin argued for an association of the "historic members of European civilization." United States officials welcomed Bevin's speech as a signal of European initiative.<sup>54</sup>

The major product of the early negotiations among European officials was the Organization for European Economic Cooperation (OEEC), which came into being on 5 June 1948. At each step along the way, the United States used its economic strength, primarily in the form of dollar aid, to promote European unity, while at the same time attempting to remain outside the negotiations. In addition to organizations devoted to the administration of U.S. aid, monetary and trade liberalization agreements were also forged.

Yet the building of a third force, the central objective of American policy be-

<sup>51</sup> Section 102(a) of the Economic Cooperation Act of 1948, as amended, stated that: "It is further declared to be the policy of the people of the US to encourage the unification of Europe. . . ."

<sup>52</sup> Gaddis, "Spheres of Influence," 59. See also Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952* (New York: Cambridge University Press, 1987).

<sup>53</sup> Beugel, *From Marshall Plan to Atlantic Partnership*, 42.

<sup>54</sup> *Ibid.*, 121-122.



tween 1947 and 1950, fell short of American hopes. Disagreements between the British and the French over the extensiveness of supranational political authority and economic integration left the early proposals for unity unfulfilled. W.W. Rostow notes: “[B]ecause the British opposed it, because the economic requirements of unity did not converge with requirements for prompt recovery, and because the United States was unclear as to how its influence should be applied — the Marshall Plan did not succeed in moving Western Europe radically towards unity.”<sup>55</sup>

In late 1949 a tone of urgency was heard in State Department discussions of European integration. In a memorandum written by Secretary of State Acheson, shifts in administration thinking were evident. With British reluctance to lead a movement toward European integration, Acheson noted that “[t]he key to progress towards integration is in French hands.” Moreover, Acheson was willing to settle for integration on the continent itself and introduced the possibility of American participation in the Organization of European Economic Cooperation. Yet on these revised terms the United States continued to push for integration that would involve “some merger of sovereignty.”<sup>56</sup>

The United States wanted to encourage an independent Europe — a third force — and not to establish an American sphere of influence. Yet the Europeans could not agree among themselves to organize such a center of global power; the United States, despite its hegemonic power, could not see to its implementation. Just as in the earlier phase, when the goal of U.S. policy was that of global, liberal multilateralism, severe limits of U.S. power were experienced. Beugel makes this point:

In dealing with sovereign states, even if these states are impoverished and politically and economically impotent, as was the case in Europe during the first years of the Marshall Plan, there is a limit beyond which even a country of the unique power of the United States cannot go in imposing far-reaching measures such as those leading to European integration.<sup>57</sup>

The irony is that while the United States was unwilling and probably unable to use more direct coercive power to encourage European unity, European resistance was not to the use of American power but to the ends toward which it was to be put. The United States wanted to avoid a direct, ongoing security commitment to Western Europe and the emergence of a sphere of influence that such a policy would entail. Yet as East-West tensions increased and as British and continental governments frustrated plans for a geopolitical third force, a new phase of American policy unfolded. Europe actively courted the extension of American

<sup>55</sup> W. W. Rostow, *The United States in the World Arena, an Essay in Recent History* (New York: Harper & Row, 1960), 216. See also Alan S. Milward, *The Reconstruction of Western Europe, 1945–51* (Berkeley: University of California Press, 1984).

<sup>56</sup> “The Secretary of State to the Embassy in France,” 19 October 1949, *FRUS, 1949*, IV: 469–472. In the subsequent meeting of American ambassadors in Paris, agreement was reached among them that European integration could not proceed without British participation.

<sup>57</sup> Beugel, *From Marshall Plan to Atlantic Partnership*, 220–21.

power and, in the guise of NATO, a subordinate position in an American sphere of influence.

### THE "PULL" OF EUROPE: EMPIRE BY INVITATION

In 1947 and the following years, the United States appeared to hold the military and economic power needed to shape the terms of European reconstruction. With a monopoly on the atomic bomb, a massive (although demobilizing) standing army, and an industrial economy enlarged by the war, the United States appeared to have all the elements of hegemonic power. Moreover, the United States had what Europeans needed most: American dollars. "More and more as week succeeds week," the *Economist* noted in May 1947, "the whole of European life is being overshadowed by the great dollar shortage. The margin between recovery and collapse throughout Western Europe is dependent at this moment upon massive imports from the U.S."<sup>58</sup>

It is all the more striking, therefore, how successful the European governments were at blunting and redirecting American policy toward Europe. This resistance by Europe to the construction of a third force had several sources and differed from country to country. Each sought to use American hegemonic power for its own national purposes. At the same time, the same considerations that led to the rejection of a full-blown united Europe prompted these same governments to encourage a direct American political and security presence in Europe.

The British were the most resistant to a united Europe. Britain initially reacted positively to the larger political objectives of Marshall Plan aid. A secret Cabinet session in March 1948 concluded that Britain "should use United States aid to gain time, but our ultimate aim should be to attain a position in which the countries of western Europe could be independent both of the United States and of the Soviet Union."<sup>59</sup> Yet as a practical matter, the British resisted significant steps in that direction." In a meeting of American ambassadors in Europe in October 1949, David Bruce argued: "We have been too tender with Britain since the war: she has been the constant stumbling block in the economic organization of Europe. . . ."<sup>60</sup>

The British were eager to maintain their special relationship with the United States, but feared it would be undermined by the emergence of a confederation with European countries. Moreover, the political and economic burdens of sustaining a European center of power would only further strain the British Commonwealth system. As with several of the other European countries, the British also feared the eventual dominance of Germany or even Russia in a unified Eu-

<sup>58</sup> *The Economist*, 31 May 1947.

<sup>59</sup> Quoted in Gaddis, "Sphere of Influence," 66.

<sup>60</sup> "Summary Record of a Meeting of United States Ambassadors at Paris," 21–22 October 1949, *FRUS*, 1949, IV: 492.

rope. These considerations implied the need for more, not less, American involvement in postwar Europe, particularly in the form of the NATO security relationship. As David Calleo has recently noted: "NATO seemed an ideal solution. With American commanders and forces taking primary responsibility for European ground defense, no question would remain about America's willingness to come to Europe's aid. Britain could reserve for itself those military and naval commands needed to retain control over its own national defense."<sup>61</sup> Indeed, in 1952 the British sought to reduce the role of the OEEC and transfer its functions to NATO—an attempt to build the Atlantic relationship at the expense of European unity.<sup>62</sup>

British officials were more concerned with preventing a return by the United States to an isolationist position than with an overbearing American hegemonic presence in Europe. "The fear was not of American expansionism," Gaddis notes, "but of American isolationism, and much time was spent considering how such expansionist tendencies could be reinforced."<sup>63</sup> It is no surprise, therefore, that in encouraging the United States to lead a security protectorate of Europe, the British began to stress the seriousness of the Soviet threat in Europe. In January 1948, British Foreign Minister Ernest Bevin warned Washington of "the further encroachment of the Soviet tide" and the need to "reinforce the physical barriers which still guard Western civilization."<sup>64</sup>

The French also sought to put American resources to their own national purposes and encourage an Atlantic security relationship. To be sure, France was more sympathetic to American ideas of European integration. Integration was useful in fostering French-dominated coalitions of governments in Western Europe. A political and economic union would also allow France to have some influence over the reemergence of the German economy as well as tie Germany to a larger regional framework.<sup>65</sup> At the same time, however, the French also had an interest in encouraging a larger American security relationship with Europe. NATO, even more than a European community, would serve to contain Germany and the Soviets. Moreover, as with Britain, an American presence would free French resources, otherwise tied up in European defense, for purposes of preserving the remains of its colonial empire.<sup>66</sup>

Germany also supported American leadership of NATO. For West Germany's

<sup>61</sup> David P. Calleo, *Beyond American Hegemony: The Future of the Western Alliance* (New York: Basic Books, 1988), 35.

<sup>62</sup> Beloff, *The United States and the Unity of Europe*, 69.

<sup>63</sup> John Lewis Gaddis, "The Emerging Post-Revisionist Synthesis on the Origins of the Cold War," *Diplomatic History* 7 (Summer 1983). This statement is based, at least in part, on newly opened records of the British Foreign Office.

<sup>64</sup> "Summary of a Memorandum Representing Mr. Bevin's Views on the Formation of a Western Union," enclosed in Inverchapel to Marshall, 13 January 1948, *FRUS*, 1948, III: 4–6.

<sup>65</sup> See Maier, "Supranational Concepts and National Continuity in the Framework of the Marshall Plan," 34.

<sup>66</sup> Calleo, *Beyond American Hegemony*, 35. See also Michael M. Harrison, *The Reluctant Ally: France and Atlantic Security* (Baltimore: Johns Hopkins University Press, 1981).

Chancellor Konrad Adenauer, the Atlantic security relationship was a means of rebuilding German sovereignty and equality on the continent. Germany had less room for maneuver than Britain or France. But participation in regional integration and NATO served the goals of political and economic reconstruction.<sup>67</sup>

In late 1947, efforts intensified by Europeans to draw the United States into a security relationship. British Foreign Minister Bevin outlined his ideas on military cooperation to Secretary of State Marshall on 15 December 1947. A regional European organization centered around Britain, France, and the Benelux countries would be linked to the other Western European countries and to the United States. Marshall signaled his interest in the plan but later indicated that the United States could not presently make any commitments.<sup>68</sup> Other European officials, such as Belgian Prime Minister (and Foreign Minister) Paul-Henri Spaak, were also calling for American military cooperation.<sup>69</sup>

Bevin's urgings were given prominence in his 22 January 1948 speech in the House of Commons. Later Bevin argued that European defense efforts would not be possible without American assistance. "The treaties that are being proposed cannot be fully effective nor be relied upon when a crisis arises unless there is assurance of American support for the defense of Western Europe."<sup>70</sup>

The French also sought to draw the United States into playing a military role in Western Europe. Foreign Minister Georges Bidault called upon the United States "to strengthen in the political field, and as soon as possible in the military one, the collaboration between the old and the new worlds, both so jointly responsible for the preservation of the only valuable civilization."<sup>71</sup>

Some officials in the Truman administration, such as Director of the Office of European Affairs John D. Hickerson, were urging military cooperation with Western Europe.<sup>72</sup> Others, most notably George Kennan, resisted the idea of a military union, arguing that it would be destructive of the administration's goal of European unity.<sup>73</sup> The official position of the Truman administration during this period was ambiguous: it was sympathetic to European concerns but reluctant to make a commitment. After repeated British attempts to obtain an Amer-

<sup>67</sup> Calleo, *Beyond American Hegemony*, 35.

<sup>68</sup> Memorandum by the British Foreign Office, undated, *FRUS*, 1947, III: 818–819. See also Geir Lundestad, *America, Scandinavia, and the Cold War, 1945–1949* (New York: Columbia University Press, 1980), 171–72.

<sup>69</sup> Lundestad, *America, Scandinavia, and the Cold War, 1945–1949*, 172.

<sup>70</sup> *FRUS*, 1948, III: 14. In his memoirs, British Prime Minister C. R. Attlee referred to the "making of the Brussels treaty and the Atlantic Pact" as "the work of Bevin." Attlee, *As It Happened* (London: Heinemann, 1954), 171. See also Escott Reid, *Time of Fear and Hope: The Making of the North Atlantic Treaty, 1947–1949* (Toronto: McClelland and Stewart, 1977).

<sup>71</sup> Quoted in Lundestad, "Empire by Invitation? The United States and Western Europe, 1945–1952," *Journal of Peace Research* 23 (1986): 270.

<sup>72</sup> Hickerson memorandum, *FRUS*, 1948, III: 6–7.

<sup>73</sup> Kennan memorandum to Secretary of State, 20 January 1948, *FRUS*, 1948, III: 7–8. See also Kennan, *Memoirs: 1925–1950*, 397–406.

ican pledge of support, Under Secretary Robert Lovett informed the British ambassador that the Europeans themselves must proceed with discussions on European military cooperation. Only afterward would the United States consider its relationship to these initiatives.<sup>74</sup> The British, undeterred, continued to insist on American participation in plans for Western European defense.

It was not until 12 March, after the coup in Czechoslovakia, which demonstrated the Soviet hold on East Europe, and the further deterioration of East-West relations, that the United States agreed to engage in joint talks with the West Europeans on an "Atlantic security system."<sup>75</sup> In the months that followed, American and European differences narrowed, largely with the United States coming to agree on an integrated security system with itself at the center.

Taken together, the United States and State Department officials such as George Kennan were much more eager to see an independent Europe than the Europeans themselves. In the end, the European governments were not willing to take the risks, expend the resources, or resolve the national differences that would necessarily be a part of an independent, third force. Political life within an American hegemonic system and a bipolar world was the more acceptable alternative.

Part of the reason for this "craving for dependence,"<sup>76</sup> as David Calleo has recently put it, is that the European nations, except perhaps for Germany, were able to develop the means for maneuver within that American hegemonic system. Such was the case for Britain, as it is noted by Charles Maier:

Within the American "hegemony" Britain preserved as much of her Commonwealth position, her shielding of her balance of payments, as possible. She also played what might be termed the "Polybian" strategy, attempting to become the Greeks in America's Roman empire, wagering on the "special relationship" to prolong their influence and status.<sup>77</sup>

The more general point is that the European encouragement of an American presence in Europe served a variety of national needs. The room for maneuver within that hegemonic system ensured that those needs would at least in part be met. Moreover, to tie the United States to a formal security relationship with Europe would provide a much more effective basis for the Europeans to influence and shape the American exercise of hegemonic power than would be the case with a less encumbered America. Even as Britain and the continental governments invited America's political and military presence in Europe, it ensured that the international economic system that would attend that new relationship was sufficiently based on European terms.

<sup>74</sup> Lovett to Inverchapel, 2 February 1948, *FRUS, 1948, III*: 17-18.

<sup>75</sup> *Ibid.*, III: 48.

<sup>76</sup> Calleo, *Beyond American Hegemony*, 35.

<sup>77</sup> Maier, "Supranational Concepts and National Continuity in the Framework of the Marshall Plan," 34.

## FROM LIBERAL MULTILATERALISM TO "EMBEDDED LIBERALISM"

The United States failed in its initial attempt to bring liberal multilateralism to Europe. The coercive use of American hegemonic power, most explicitly evident in the British loan, was largely self-defeating. The Marshall Plan represented a shift in policy toward regional reconstruction and a politically independent and integrated Europe. The Europeans took the aid but declined the invitation to move toward a third force in a multipolar world. At the same time, as we have seen, the Europeans (with leadership from British Foreign Minister Bevin) actively sought to extend the American security presence to Western Europe.

The United States was prevailed upon to defend a grouping of western industrial democracies. But what kind of grouping? In late 1949 officials within the Truman administration were uncertain. "It is not yet clear," Acheson argued, "what is the most desirable ultimate pattern of deeper international association of the United States, British Commonwealth, and Europe, and I do not believe that anyone should blueprint a course far ahead with any great rigidity."<sup>78</sup> Nonetheless, even as American policy shifted, the Truman administration clung to a now more distant objective of liberal multilateralism. Liberal economic internationalism, although initially blocked by the imperatives of European reconstruction and the unfolding cold war, were not abandoned, at least in rhetoric. William Clayton noted this in a broadcast on 22 November 1947: "The Marshall Plan, or the European Recovery Program, has to do with the short-term emergency needs of one part of the world. The International Trade Organization has to do with long-range trade policies and trade of all the world. They are highly complementary and inter-related."<sup>79</sup>

This observation was more a hope than anything else. The Marshall Plan was not simply an interim step to place the European economies in a position to participate in a system based on earlier elaborated American plans for liberal multilateralism. Rather, the working out of these policy shifts served to alter the substantive character of those liberal, multilateral designs. This policy retreat and what it reveals about American hegemonic power is noted by Fred Hirsch and Michael Doyle:

The limited capacity of the United States to determine the international economic order actually in force, even at the peak of American military-economic predominance in the immediate aftermath of World War II, is a striking indication of the extent to which relationships between the United States and other major Western powers at this time fell short of unqualified American hegemony. For the striking fact is that the United States was not able to impose its preferred multilateral trading order on the major trading countries. It was able to set the frame for such an order, as embodied in the major provisions of the IMF [International Monetary Fund] and the proposed International Trade

<sup>78</sup> "The Secretary of State to the Embassy in France," 19 October 1949, *FRUS*, 1949, IV: 469.

<sup>79</sup> Quoted in Beloff, *The United States and the Unity of Europe*, 28.

Organization (ITO). But these provisions themselves had to be considerably modified, as compared with the original United States proposals, to make them acceptable to other governments. The original United States conception was thus weakened substantially by the resulting allowance made for transitional provisions, for exceptions to nondiscrimination and absence of restrictions, and for the ultimate escape by countries from the discipline of the international system through exchange adjustment.<sup>80</sup>

Throughout the period, these concessions and compromises were indirect and were manifest as the United States sought to promote political stability and non-communist regimes in Western Europe. The effort to encourage noncommunist alternatives in continental Europe was pursued from many quarters of the American government. At the State Department Charles Bohlen argued in 1946 that the United States should direct the Left in democratic directions. "It is definitely in the interest of the United States to see that the present left movement throughout the world, which we should recognize and even support, develops in the direction of democratic as against totalitarian systems."<sup>81</sup> Later, George Kennan argued that the Marshall Plan itself was the key to building the strength of anticommunist forces.<sup>82</sup> Where serious communist parties contended for power, such as in Italy and France, the United States was willing to come to the aid of all parties to their right, including socialists.

United States involvement in support of noncommunist forces in Italy during the crucial 1948 national elections reveals this strategy. An immediate aim during this period was the bolstering of the noncommunist Italian Socialists. The American ambassador, James Dunn, searched for ways to channel funds to strengthen the fragile political base of the Socialists as well as those to the right.<sup>83</sup> The attempt was made to prevent the Italian Socialist Party from joining the ranks of the communist-led electoral alliance. In the end, with massive American covert aid and threats of the cut-off of Marshall Plan assistance, the Christian Democrats won a commanding electoral victory and a majority in parliament.

The primacy of stability in Western Europe, built around noncommunist political parties, had larger ramifications for American foreign economic policy. Indirectly at least, this commitment meant that the United States would need to accommodate social democratic goals in the construction of international economic order. The successful political reconstruction of Europe meant not just a delay in the realization of liberal, multilateral goals, but their permanent alteration.

Although not framed as an explicit shift in international economic objectives, the United States did gradually move to accept a modified liberal, multilateral order. For the most part this took the form of exemptions and abridgements in

<sup>80</sup> Hirsch and Doyle, *Alternatives to Monetary Disorder*, 29.

<sup>81</sup> Quoted in Gaddis, "Dividing Adversaries" in Gaddis, *The Long Peace*, 150.

<sup>82</sup> *Ibid.*, 154.

<sup>83</sup> James Edward Miller, *The United States and Italy, 1940-1950: The Politics and Diplomacy of Stabilization* (Chapel Hill: University of North Carolina Press, 1986), 243-49.

trade and financial arrangements. Together, these compromises allowed a larger measure of national economic autonomy and a stronger role of the state in pursuing full employment and social welfare. The discipline of the international market would be softened by the welfare state. The differences between Britain and the United States over postwar economic arrangements were representative of the larger American-European split. At each turn during negotiations over monetary and trade rules and institutions, Britain sought arrangements that would be congenial with an expanded domestic state role in employment and social welfare.

Compromises between multilateralism in international economic relations and state intervention in the domestic economy and society are what John Ruggie has termed “embedded liberalism.”<sup>84</sup> “The task of postwar institutional reconstruction,” Ruggie argues, was to “devise a framework which would safeguard and even aid the quest for domestic stability without, at the same time, triggering the mutually destructive external consequences that had plagued the interwar period.”<sup>85</sup> In other words, rules would be devised to allow for nondiscrimination in commercial and monetary relations, but also to facilitate the welfare state.

Ruggie argues that a loose consensus existed among the industrial democracies, even during the war, on the need to make compromises between postwar liberal multilateralism and domestic interventionism. This was the case, however, only at the most general level. The types of compromises were achieved in piecemeal fashion over the course of the entire 1940s. European countries gave ground on the American insistence that multilateralism be at the core of international economic arrangements. The United States came to accept the need to protect newly emerging Keynesian economic policies and the provisions of the welfare state. But these compromises were less explicit and negotiated than a product of the failure of such instruments of liberal multilateralism as the Anglo-American Financial Agreement and the International Trade Organization.

At each stage of negotiation the British sought to make American monetary and commercial proposals contingent on expanded production and employment. Behind Britain’s conditional response to American initiatives were various factions on the Left and Right that opposed liberal multilateralism.<sup>86</sup> Uniting these groups was a skepticism of economic liberalism at home or abroad. A British newspaper of the day noted: “We must . . . reconcile ourselves once and for all to the view that the days of *laissez-faire* and the unlimited division of labor are over; that every country—including Great Britain—plans and organizes its production in the light of social and military needs, and that the regulation of this production

<sup>84</sup> John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36 (Spring 1982): 379–415. See also Robert Keohane, “The World Political Economy and the Crisis of Embedded Liberalism” in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism: Studies in the Political Economy of Western European Nations* (Oxford, Eng.: Clarendon Press, 1984), 15–38.

<sup>85</sup> Ruggie, “International Regimes, Transactions, and Change,” 393.

<sup>86</sup> See Gardner, *Sterling-Dollar Diplomacy*, 30–35.



by such 'trade barriers' as tariffs, quotas, and subsidies is a necessary and integral part of this policy."<sup>87</sup>

In British debates on the various trade and financial agreements, as Gardner notes, officials "devoted considerable efforts to showing that full employment and domestic planning would not be impeded by the multilateral arrangements."<sup>88</sup> In negotiations over the ITO these concerns were manifest in safeguards and escape clauses, in the removal of agriculture from the framework, and in transition periods to multilateralism. As one British official noted in discussions over trade arrangements, "there must be in the international settlement which we are now devising sufficient escape clauses, let-outs, special arrangements, call them what you will, which will enable those countries which are adopting internal measures for full employment to protect themselves. . . ."<sup>89</sup>

These efforts to protect domestic economic and social obligations of the state came primarily from Britain and the other European countries. The Europeans themselves were crucial in recasting the terms of liberal multilateralism—if only in resisting, modifying, and circumventing American proposals. In insisting on the primacy of domestic stability in the development of international economic rules and institutions, the Europeans (and most importantly the British) successfully recast the character of postwar economic order. The story of postwar international political economy is as much that of the triumph of the welfare state as of the halting and partial emergence of liberal multilateralism.

### CONCLUSION

The structure of the early postwar system bears the profound marks of American ideas and the projection of its power; about this there is no dispute. The task here has been to reconsider the conventional understanding of that power and the fate of those ideas. American power was unprecedented, but it was not unalloyed. The United States was not able to implement the full range of its proposals for postwar order; but it did get drawn into a larger hegemonic role in Europe than it anticipated or wanted. In understanding this duality of the American postwar experience, we are better able to appreciate the substance, scope, and limits of American hegemonic power.

The failure of the first efforts at multilateralism and the failure of policies to promote European unity say a great deal about the character of American hegemonic power after the war. The direct use of American power to coerce European acceptance of liberal, multilateral designs (seen most clearly in the British loan episode) were singularly unsuccessful. Less direct methods of pursuing even a revised plan for European regional cooperation also fell short. The purpose of

<sup>87</sup> *The Times* (London), 11 January 1941. Quoted in Gardner, *Sterling-Dollar Diplomacy*, 31.

<sup>88</sup> Gardner, *Sterling-Dollar Diplomacy*, 234.

<sup>89</sup> *Ibid.*, 277.

the Marshall Plan was to restore the political confidence of the Europeans. Yet as Gaddis notes, once this was the objective, it was the Europeans who could dictate what it would take to produce confidence.<sup>90</sup> In the end, this required a direct American military commitment.

The Europeans wanted a stronger and more formal hegemonic system than the United States was initially willing to provide. The initial one world plans of collective security and economic universalism would have been a very cost-effective form of *Pax Americana*. The obligations to Europe would have been minimal and they would have accorded with prevailing U.S. congressional and popular public opinion. The system, once constituted, was envisaged to be self-regulating. Given American economic size and competitiveness, this global open door would both serve its own interests and resonate with time-honored American liberal ideas of politics and economics. However, not only were the assumptions behind this vision of postwar order wrong, but the United States, despite its preponderance of economic and military resources, was unable to implement its essential parts.

The revised strategy of a European third force and the construction of a multipolar order was equally elusive. It again revealed the limits of American postwar power. These limits were recognized by many of the American officials themselves. In promoting the idea of a united Europe in the context of Marshall Plan aid, the Truman administration insisted that Europe itself take the initiative. More direct American pressure would have been self-defeating, but its absence also ensured that the Europeans could set the limits on cooperation and integration. It was the very weakness of the European economies and societies that prevented the United States from translating its array of power resources into bargaining assets. The United States could not push too hard. The Europeans, in turn, could set the terms upon which to pull the United States into economic and security relationships.

In the end the United States had to settle for a more traditional form of empire—a *Pax Americana* with formal commitments to Europe. The result was an institutional relationship that diverted American resources to Europe in the form of a security commitment, allowing the Europeans to employ their more scarce resources elsewhere and providing the ongoing institutional means for the Europeans to influence and render predictable American hegemonic power. In blunting and altering the substantive character of international economic relations to ensure the survival of budding welfare states, the Europeans succeeded in drawing the United States into protecting a system that they were able to effectively redefine. As students of empire have often noted, the flow of ideas and influence between empirical center and periphery works in both directions.<sup>91</sup> Unable to secure a less formal and more ambitious *Pax Americana*, the United States found itself experiencing the similar two-way flow of ideas and influence.

<sup>90</sup> Gaddis, "Spheres of Influence," 62.

<sup>91</sup> See Michael W. Doyle, *Empires* (Ithaca, N.Y.: Cornell University Press, 1986).

The sequence of shifts in American policy toward postwar order is often understood as a set of adjustments to the emergence of East-West hostilities. It was the rise of perceptions of threat from the Soviet Union that forced the compromises and that shifted the center of gravity from economic-centered postwar designs to security-centered designs. There are at least two problems with this understanding. First, this interpretation obscures the failures of American policy and the limited ability of the United States to exercise hegemonic power on its own terms. The focus on failure to implement policy in the first two phases of U.S. policy reveals these limits and the striking ability with which the Europeans could resist American initiatives from a position of weakness.

Second, perhaps more fateful for the way in which American policy unfolded after World War II was the utter collapse of Great Britain, not the rise of the Soviet Union. In a meeting of American ambassadors in Paris in the autumn of 1949, John J. McCloy, the high commissioner for Germany, argued that perhaps too much emphasis had been given to “the increase of Russian power in the world and too little thought to the enormously important factor that is the collapse of the British Empire.”<sup>92</sup> Scholars may have suffered a similar problem. This decline of British power, recognized for decades, accelerated by the destruction of the war, and taking a dramatic turn in 1947, was crucial in weakening the overall political and economic position of Europe in the late 1940s. If the argument made above has merit, it was precisely the weakness of Britain and continental Europe that undermined the ability of the United States to successfully employ its hegemonic position after the war. Ironically, it might well be the case that less disparity in the relationship between Europe and the United States after the war could possibly have provided the basis for the realization of more of the American postwar agenda.\*

<sup>92</sup> “Summary Record of a Meeting of United States Ambassadors at Paris,” 21–22 October 1949, *FRUS, 1949*, IV: 485.

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